

Message Text

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FM AMEMBASSY AMMAN

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INFO AMEMBASSY JIDDA

AMEMBASSY ABU DHABI

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY MUSCAT

AMEMBASSY DOHA

AMEMBASSY MANAMA

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E.O. 11652: N/A

TAGS: BEXP, JO

SUBJECT: PROPOSED NATIONAL FOREST PRODUCTS ASSOC., IOGA TRADE MISSIO
N

REF: STATE 299395 AND 76 AMMAN 7472

1. PROPOSED NATIONAL FOREST PRODUCTS IOGA TRADE MISSION WOULD BE
WELCOME IN JORDAN AND TIME FRAME DURING END MAY 1977 ACCEPTABLE.
EMBASSY WISHES ADVANCE NOTICE IF JORDAN IS TO BE INCLUDED ON
MISSION SCHEDULE. EARLY CONTACT WITH ADVANCE MAN IS ALSO NECESSARY.

2. IT IS UNLIKELY THAT THERE IS HUGE POTENTIAL HERE BUT POSSIBILITY
MISSION CAN MAKE IMPORTANT TRADE CONTACTS FOR FUTURE SALES EXISTS,
ESPECIALLY AFTER EXPLORING MARKET REQUIREMENTS. NEW MARKET COULD
BE DEVELOPED.

3. FOREST PRODUCTS THAT WOULD SELL HERE ARE SAWN TIMBER, CHIPBOARD,
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BLOCKBOARD, VENEERS AND TREATED AND LAMINATED PRODUCTS.
COMPETITION IS PRESENTED BY SWEDISH, FINNISH, RUSSIAN AND
EAST ASIAN COUNTRIES. THE LARGE SCOPE OF THE MARKET IS
FOR FINISHED WOOD PRODUCTS. IT IS POSSIBLE THAT SOME GOOD RESULTS
CAN BE OBTAINED.

4. ACCORDING TO REPORT SUBMITTED TO GOJ BY "W.D. SCOTT AND

CO.", INVESTMENT ANALYSIS OF FEASIBILITY OF ESTABLISHING INTEGRATED TIMBER COMPLEX IN JORDAN TO PRODUCE SAWNWOOD, PLYWOOD, CHIPBOARD AND POSSIBLY OTHER PRODUCTS IS FAVORABLE. THE CAPACITY OF THE PLANTS RECOMMENDED ARE AS FOLLOWS:-

SAWNWOOD: TO BE DESIGNED TO EXPAND FROM AN INITIAL ANNUAL CAPACITY OF 40,000 CUBIC METERS TO 75,000 CUBIC METERS IN EIGHT YEARS.

CHIPBOARD: TO BE DESIGNED TO EXPAND FROM AN INITIAL ANNUAL CAPACITY OF 15,000 CUBIC METERS TO 30,000 CUBIC METERS IN SIX YEARS.

PLYWOOD: TO BE DESIGNED FOR AN ANNUAL PRODUCTION OF 12.500 CUBIC METERS PER ANNUM.

5. IN THE SCOTT EXAMINATION OF THE FEASIBILITY OF TIMBER COMPLEX, NATURE AND SIZE OF THE MARKET IN JORDAN AND NEIGHBORING COUNTRIES WAS ASSESSED FOR CURRENT AND FUTURE DEMAND. RESULT THAT:

A) CURRENT DOMESTIC DEMAND IS FOR THREE TYPES OF SAWNWOOD, NAMELY; WHITEWOOD, PINEWOOD, AND BEECHWOOD. IMPORTS OF THESE HAVE INCREASED FROM 37,000 CUBIC METERS IN 1969 TO 55,000 CUBIC METERS IN 1975; WHITEWOOD ACCOUNTED FOR 35,000 CUBIC METERS; REDWOOD 12,000 CUBIC METERS AND BEECHWOOD 8,000 CUBIC METERS.

B) FUTURE DOMESTIC DEMAND IS EXPECTED TO GROW OVER NEXT FEW YEARS BY ABOUT 10 PERCENT A YEAR SINCE UNCLASSIFIED

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ECONOMY IS DEVELOPING RAPIDLY. DEMAND FOR SAWNWOOD IN JORDAN IS ESTIMATED TO INCREASE FROM 55,000 CUBIC METERS IN 1975 TO 230,000 CUBIC METERS IN 1990.

C) EXPORT DEMAND FOR SAWNWOOD OFFERS SIGNIFICANT POTENTIAL FOR JORDAN. AVERAGE IMPORTS FOR THE FIVE NEIGHBOURING COUNTRIES BETWEEN 1969 AND 1973 HAS GROWN FROM 137,000 CUBIC METERS IN 1969 TO 586,000 CUBIC METERS IN 1973. IF JORDAN CAPTURED JUST 10 PERCENT OF EACH MARKET IT COULD EXPORT ABOUT 60,000 CUBIC METERS A YEAR. THIS DEMAND CAN BE EXPECTED TO GROW, PROBABLY AT THE SAME RATE AS THAT OF JORDAN.

6. SAME REPORT INCLUDED REVIEW OF DEMAND FOR WOOD-BASED PANELS. THE CURRENT AND ESTIMATED FUTURE DEMAND IN SCOTT'S ANALYSIS WAS:

A) CURRENT DOMESTIC DEMAND IS FOR PLYWOOD, CHIPBOARD

AND BLOCKBOARD. IMPORTS FOR THE LAST SIX YEARS SHOW AN INCREASE FROM 2,900 CUBIC METER IN 1969 TO 3,500 CUBIC METERS IN 1975. LEVEL OF CONSUMPTION COMPARED WITH NEIGHBORING COUNTRIES IS LARGER IN JORDAN THAN ALL EXCEPT LEBANON

B) FUTURE DEMAND IS EXPECTED TO GROW AT ABOUT 10 PERCENT PER YEAR, THE ESTIMATED ARE THAT IT WILL INCREASE REGULARLY.

C) EXPORT DEMAND TO NEIGHBOURING COUNTRIES IS LIMITED SINCE SYRIA AND LEBANON PRODUCE ALMOST THE WHOLE OF THEIR REQUIREMENTS. IRAQ, SAUDI ARABIA ND KUWAIT HAS A LIMITED MARKET OF A TOTAL OF 70,000 CUBIC METERS, AND IF JORDAN CAPTURES 10PERCENT IT WILL REPRESENT 7,000 CUBIC METERS.

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D) TOTAL JORDAN MARKET INCLUDING EXPORT POTENTIAL FOR PLYWOOD IS ESTIMATED TO INCREASE FROM 8,000 CUBIC METERS IN 1975 TO 14,000 CUBICMETERS IN 1990 AND CHIPBOARD IS ESTIMATED TO INCREASE FROM 6,000 CUBIC METERS IN 1975 TO 37,000 CUBIC METERS IN 1990.

7. IN SCOTT'S REPORT FINAL ANALYSIS, THEY RECOMMEND THIS PROJECT TO BE COMMERCIALY FEASIBLE, AND THAT THE COMPLEX WILL YIELD BENEFITS TO THE ECONOMY BY SAVING FOREIGN EXCHANGE AND CREATING EMPLOYMENT FOR NOT LESS THAN 200 PERSONS. THE PROJECT IS EXPECTED TO GENERATE CONSIDERABLE PROFITS AND AT CURRENT RATE OF 45PERCENT COMPANY TAX WILL DERIVE \$4.25 MILLION ANNUALLY. IT WILL CREATE EXPORT OPPORTUNITIES TO SAUDI ARABIA, KUWAIT AND IRAQ. COMBINING DOMESTIC DEMAND WITH EXPORT POTENTIAL IMPLIES AN INCREASING RATE OF CONSUMPTION FOR THE FUTURE AS SHOWN IN PARAS. 5 & 6 ABOVE. PRESENTLY, TIMBER COMS FROM EUROPE AND USSR. IT HAS BEEN SUGGESTED THAT AN ALTERNATE SOURCE OF RAW MATERIALS SHOULD BE SOUGHT AND TIMBER SHOULD BE IMPORTED AS LOGS. THUS A LONG TERM CONTRACT WITH THE LOG SUPPLYING COUNTRIES SHOULD BE REACHED TO ENSURE REGULAR SUPPLY.

8. IN THEIR PRICE ANALYSIS, SCOTT USED AVERGAE PRICES FOR THE PRODUCTS UNDER REVIEW AND FOUND THAT THE CHEAPEST IMPORTED TYPE IS WHITEWOOD WHICH COST IMPORTER \$215 PER CUBIC METER FOR SAWNWOOD IN STORE. PLYWOOD COST IS \$462 PER CUBIC METER IN STORE, CHIPBOARD COST \$247.5 PER CUBIC METER IN STORE, BASED ON COSTING USED IN THEIR STUDY, CHIPBOARD IN THETIMBER COMPLEX CAN BE PRODUCED AT AN AVERAGE OF \$125 PER CUBIC METER WHICH IS MUCH LOWER THAN

IMPORTED LANDED COST OF CHIPBOARD.

9. CAPITAL INVESTMENT, INCLUDING WORKING CAPITAL, REQUIRED FOR MINIMUM PLANNED SIZE OF COMPLEX HAS BEEN ESTIMATED BY SCOTT AT \$20.00 MILLION. SEVENTY PERCENT FOR MACHINERY AND UNCLASSIFIED

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EQUIPMENT WITH ADDITIONAL \$7 MILLION CAPITAL REQUIRED TO EXPAND FACTORY IN FUTURE TO REQUIRED ADDITIONAL CAPACITIES.

10. GOJ AND PRIVATE SECTOR ARE LOOKING VERY CLOSELY AT THIS COMPLEX PROJECT, WHICH HAS BEEN ADDED TO THE HIGH PRIORITY DEVELOPMENT LIST FOR 1977.

11. EMBASSY WOULD APPRECIATE EARLY ADVISE IF INCLUDED ON ITINERARY. PICKERING

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